



General Assembly

Substitute Bill No. 890

January Session, 2003

AN ACT CONCERNING DIRECTORS OF CREDIT UNIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-435b of the general statutes is repealed and
2 the following is substituted in lieu thereof (*Effective October 1, 2003*):

3 As used in sections 36a-435a to 36a-472a, inclusive, unless the
4 context otherwise requires:

5 (1) "Appointed director" means a director emeritus or an advisory
6 director of a Connecticut credit union, who is not a member of the
7 governing board of such credit union.

8 ~~[(1)]~~ (2) "Branch" means any office of a Connecticut credit union at a
9 fixed location, other than the main office, at which shares or deposits
10 are received, share drafts or checks are paid, or money is lent;

11 ~~[(2)]~~ (3) "Capital" means undivided earnings, regular reserves, other
12 special purpose reserves, donated equity, and accumulated, unrealized
13 gains or losses on securities in accordance with generally accepted
14 accounting principles;

15 ~~[(3)]~~ (4) "Certificate of incorporation" means the certificate of
16 incorporation of a Connecticut credit union and includes in the case of
17 Connecticut credit unions in existence on July 1, 1975, articles of
18 association, articles of incorporation and certificates of organization;

19 [(4)] (5) "Corporate", when used in conjunction with any institution
20 that is a Connecticut credit union, federal credit union or out-of-state
21 credit union, means a corporate credit union, as defined in 12 CFR
22 704.2, as from time to time amended;

23 [(5)] (6) "Credit manager" means a natural person approved by the
24 governing board of a Connecticut credit union and employed by such
25 credit union to supervise its lending activities;

26 [(6)] (7) "Credit union service organization services" means those
27 services that are authorized for credit union service organizations
28 under state or federal law, and that are closely related to credit union
29 business, are convenient and useful to credit union business, are
30 reasonably related to the operations of a credit union or are financial in
31 nature;

32 [(7)] (8) "Director" means a member of the governing board [, a
33 director emeritus or an advisory director] of a Connecticut credit
34 union;

35 [(8)] (9) "Federal Credit Union Act" means 12 USC Section 1751 et
36 seq., as from time to time amended;

37 [(9)] (10) "Financial institution" means any Connecticut credit union,
38 bank, federal credit union, out-of-state bank or out-of-state credit
39 union;

40 [(10)] (11) "Immediate family member" means any person related by
41 blood, adoption or marriage to a person within the field of
42 membership of the Connecticut credit union;

43 [(11)] (12) "Member" means any person who has been admitted to
44 membership in the Connecticut credit union in accordance with this
45 chapter;

46 [(12)] (13) "Member in good standing" means a member who (A)
47 owns at least one membership share in a credit union, (B) is current on
48 all credit obligations to the credit union, and (C) has not caused the

49 credit union a credit or share loss that remains outstanding;

50 [(13)] (14) "Membership share" means a share equal to the stated par
51 value of the Connecticut credit union which may not be withdrawn or
52 transferred except upon termination of membership and which confers
53 membership and voting rights on the member;

54 [(14)] (15) "Multiple common bond membership" means a field of
55 membership consisting of more than one group of individuals, each of
56 which has, within the group, a common bond of occupation or
57 association;

58 [(15)] (16) "Officer" means the chairperson, vice chairperson,
59 secretary and treasurer of the governing board of a Connecticut credit
60 union;

61 [(16)] (17) "Senior management" means the president or chief
62 executive officer, vice president or vice chief executive officer, chief
63 financial officer, credit manager, and any person occupying a similar
64 status or performing a similar function;

65 [(17)] (18) "Share" means the basic unit of moneys held by a member
66 of a Connecticut credit union in share accounts at a Connecticut credit
67 union on which a dividend may be paid;

68 [(18)] (19) "Single common bond membership" means a field of
69 membership consisting of one group that has a common bond of
70 occupation or association.

71 Sec. 2. Section 36a-437a of the general statutes is repealed and the
72 following is substituted in lieu thereof (*Effective October 1, 2003*):

73 (a) A Connecticut credit union organized under this title shall be
74 subject to the provisions of the laws of this state governing
75 corporations without capital stock, provided the provisions of this title
76 shall prevail over any inconsistent provisions of title 33.

77 (b) Seven or more individuals may file with the commissioner an

78 application to organize a Connecticut credit union, provided each is at
79 least eighteen years of age. The application shall be in writing and
80 shall include (1) a proposed certificate of incorporation on a standard
81 form provided by the Commissioner of Banking, signed and
82 acknowledged by the organizers either individually or collectively
83 before an officer competent to administer oaths. The proposed
84 certificate of incorporation shall specifically state: (A) The name of the
85 Connecticut credit union; (B) the town in which the main office is to be
86 located; (C) the name, occupation and residence, post office or business
87 address of each organizer, proposed director, proposed appointed
88 director and proposed member of senior management, provided the
89 organizers, proposed directors, proposed appointed directors and
90 proposed senior management shall separately file with the
91 Commissioner of Banking the notice of the residence of each organizer,
92 proposed director, proposed appointed director and proposed member
93 of senior management whose residence address is not included in the
94 proposed certificate of incorporation; and (D) a statement that the
95 purpose of the Connecticut credit union is to conduct the business of
96 and to engage in any act or activity lawful for a Connecticut credit
97 union, or, in the case of a Connecticut credit union that is organized to
98 provide basic services, a statement that the purpose of such credit
99 union is to offer basic services; (2) the proposed bylaws prescribing the
100 manner in which the business of the Connecticut credit union shall be
101 conducted on a standard form provided without charge by the
102 Commissioner of Banking, signed and acknowledged by the
103 organizers either individually or collectively before an officer
104 competent to administer oaths; (3) a business plan, including a three-
105 year financial forecast; (4) a potential member survey; (5) in the case of
106 a proposed Connecticut credit union the membership of which is
107 limited to persons within a well-defined community, neighborhood or
108 rural district, evidence to support a finding of such community,
109 neighborhood or rural district; and (6) any other information that the
110 Commissioner of Banking may require.

111 (c) In connection with an application to organize and at any other

112 time the Commissioner of Banking requests, each organizer, [and]
113 director and appointed director of a Connecticut credit union shall
114 provide fingerprints to the Commissioner of Banking for use in
115 conducting criminal history records checks. Such criminal history
116 records checks shall be conducted in accordance with section 29-17a.

117 (d) (1) Upon the filing of the required application, the
118 Commissioner of Banking shall investigate the facts and shall
119 determine whether: (A) The proposed field of membership is favorable
120 to the success of the Connecticut credit union; (B) the organizers,
121 proposed directors, proposed appointed directors and proposed
122 members of senior management are of such character, general fitness
123 and experience as to warrant belief that the business of the proposed
124 Connecticut credit union will be conducted honestly and efficiently in
125 accordance with the provisions of sections 36a-435a to 36a-472a,
126 inclusive; (C) the proposed certificate of incorporation meets the
127 requirements of this section; and (D) the proposed credit union
128 provides reasonable promise of successful operation. In addition to the
129 determinations under this subdivision, the Commissioner of Banking
130 shall consider the effect of overlapping fields of membership on the
131 proposed credit union and existing Connecticut credit unions and
132 federal credit unions. As a condition of approval of the application, the
133 Commissioner of Banking may require the proposed Connecticut
134 credit union to limit or eliminate overlaps to achieve the purposes of
135 sections 36a-435a to 36a-472a, inclusive, and promote the welfare and
136 stability of those credit unions doing business in this state.

137 (2) The Commissioner of Banking shall not issue a certificate of
138 authority to engage in the business of a Connecticut credit union if, in
139 the opinion of the Commissioner of Banking, the name selected would
140 tend to confuse the public.

141 (3) If the Commissioner of Banking determines that the foregoing
142 requirements are satisfied, and that the proposed Connecticut credit
143 union will have its shares and deposits insured by the National Credit
144 Union Administration, or its successor agency, the Commissioner of

145 Banking shall issue a certificate of authority to engage in the business
146 of a Connecticut credit union. One original of the certificate of
147 incorporation and one original of the certificate of authority shall be
148 filed by the Connecticut credit union with the Secretary of the State.
149 When the certificate of incorporation and certificate of authority are
150 filed with the Secretary of the State in accordance with the provisions
151 of this subsection, the Connecticut credit union shall become a
152 corporation and its corporate existence shall continue perpetually
153 unless otherwise expressly provided by law.

154 (e) Within a reasonable time after issuance of the certificate of
155 authority by the Commissioner of Banking, the organizers shall hold
156 an organization meeting at which they shall elect directors, who
157 thereafter shall elect officers, appoint committee members and
158 appointed directors, adopt the bylaws, and conduct any other business
159 necessary to complete the organization of the Connecticut credit union.
160 The Connecticut credit union shall complete such organization and
161 shall commence business within six months from the issuance of the
162 certificate of authority by the Commissioner of Banking or such
163 certificate of authority shall be void. The Commissioner of Banking
164 may, upon the application of the organizers and for good cause shown,
165 grant a Connecticut credit union a reasonable extension of time to
166 complete such organization and commence business. A Connecticut
167 credit union shall not commence business until its shares and deposits
168 are insured by the National Credit Union Administration or its
169 successor agency, and it has been bonded by a surety company
170 authorized to do business in this state to the same extent such bonding
171 is required by 12 CFR Part 713, as from time to time amended.

172 (f) Seven or more individuals may organize a Connecticut credit
173 union that provides basic services in accordance with this section,
174 except a Connecticut credit union the membership of which is limited
175 to persons within a well-defined community, neighborhood or rural
176 district. In order to expedite the issuance of a certificate of authority,
177 the Commissioner of Banking shall provide, without charge, to such
178 organizers: (1) A model business plan for basic services; (2) policy

179 guidelines concerning shares, lending, investments and other credit
180 union business activities; and (3) sample letters for sponsor support,
181 grants and nonmember deposits, where applicable. If the
182 Commissioner of Banking makes the determinations required by
183 subsection (d) of this section, the Commissioner of Banking shall issue
184 a certificate of authority to engage in the business of a Connecticut
185 credit union, with the express restriction that such credit union may
186 offer only basic services. Any credit union organized pursuant to this
187 subsection may upon the approval of the Commissioner of Banking,
188 convert to a Connecticut credit union operating without the
189 restrictions provided in its certificate of authority. A credit union that
190 proposes to convert shall file with the Commissioner of Banking a
191 proposed plan of conversion, including a new business plan, an
192 original certificate of amendment to its certificate of incorporation and
193 a certificate by the secretary of the converting credit union that the
194 proposed plan of conversion and proposed certificate of amendment to
195 its certificate of incorporation have been approved by a majority of the
196 governing board of the converting credit union. The Commissioner of
197 Banking shall approve a conversion under this subsection if the
198 Commissioner of Banking determines that: (A) The converting credit
199 union has complied with all applicable provisions of law; (B) the
200 converting credit union has net worth in the amount required by the
201 Commissioner of Banking; (C) the converting credit union has received
202 satisfactory ratings in its most recent safety and soundness
203 examination; and (D) the proposed conversion will serve the necessity
204 and convenience of the members of the converting credit union. After
205 receipt of the Commissioner of Banking's approval, the converting
206 credit union shall promptly file such approval and the certificate of
207 amendment to its certificate of incorporation with the Secretary of the
208 State. Upon such filing, the converting credit union shall be a
209 Connecticut credit union subject to all the requirements and limitations
210 and possessed of all rights, privileges and powers granted to it by its
211 certificate of incorporation and by the provisions of sections 36a-435a
212 to 36a-472a, inclusive, and shall be subject to all of the duties, relations,
213 obligations, trusts and liabilities of a Connecticut credit union. As used

214 in this section, "basic services" means the issuance of regular shares,
215 the making of signature loans not exceeding amounts predetermined
216 by the Commissioner of Banking, the making of participation loans as
217 a participant in an amount specified by the Commissioner of Banking,
218 the sale of money orders and travelers checks, and the issuance and
219 redemption of savings bonds.

220 (g) (1) The certificate of incorporation of a Connecticut credit union
221 may, with the approval of the Commissioner of Banking, be amended
222 at any time by the adoption at a meeting of an amendment resolution
223 by two-thirds of the directors of the credit union. Written notice of
224 such meeting, together with the text of the proposed amendment shall
225 be given to each director at least seven days prior to the meeting.

226 (2) An original certificate of amendment shall be filed with the
227 Commissioner of Banking. The certificate of amendment shall set forth:
228 (A) The name of the Connecticut credit union; (B) the amendment; and
229 (C) a statement of the number of directors' votes required to take such
230 action and the number of votes cast in favor of the amendment.

231 (3) The Commissioner of Banking, upon determining that the
232 certificate of incorporation, as amended, meets the requirements of
233 sections 36a-435a to 36a-472a, inclusive, shall endorse the
234 Commissioner of Banking's approval thereon, and return the original
235 certificate of amendment to the Connecticut credit union. Upon receipt
236 of the certificate of amendment, the Connecticut credit union shall file
237 the original certificate of amendment with the Secretary of the State,
238 and such amendment shall become effective upon filing.

239 (h) (1) The bylaws of a Connecticut credit union shall specify at least
240 the following: (A) The name of the credit union; (B) the field of
241 membership of the credit union and the qualifications for membership;
242 (C) the par value of shares; (D) the number and terms of directors
243 [including directors emeritus and advisory directors] and appointed
244 directors, if applicable, and procedures for their election; (E) the duties
245 of the members of senior management; (F) the manner in which a

246 credit committee, credit manager, loan officer or any combination
247 thereof shall be responsible for the credit functions of the credit union;
248 (G) the manner of conducting the annual meeting and the provisions
249 for voting; (H) conditions for payment on, receipt of or withdrawal of
250 shares and deposits; and (I) such other matters as the governing board
251 deems necessary.

252 (2) The bylaws of a Connecticut credit union may not be amended
253 without the written approval of the Commissioner of Banking for a
254 period of three years following issuance by the Commissioner of
255 Banking of the certificate of authority to engage in the business of a
256 Connecticut credit union. Thereafter, the bylaws of a Connecticut
257 credit union may be amended in accordance with subdivision (3) of
258 this subsection, provided the bylaws comply with this subdivision,
259 and any such amendment changing the name of the credit union or the
260 field of membership of the credit union shall require the written
261 approval of the Commissioner of Banking in accordance with
262 subdivision (3) of this subsection. The Commissioner of Banking's
263 approval shall not be required to amend the field of membership of a
264 Connecticut credit union with a multiple common bond membership
265 to add a group of less than five hundred potential members, excluding
266 members of the immediate family or household of a potential member.

267 (3) The bylaws may be amended by the adoption at a meeting of an
268 amendment resolution by two-thirds of the directors of the credit
269 union. Written notice of the meeting and text of the proposed
270 amendment shall be given to each director at least seven days prior to
271 the meeting. The Connecticut credit union shall file with the
272 Commissioner of Banking, within ten days after its adoption, one copy
273 of any proposed amendment on a form provided by the Commissioner
274 of Banking. In the case of a proposed amendment requiring the
275 Commissioner of Banking's approval, the Commissioner of Banking
276 shall, within thirty days after such filing, determine whether such
277 proposed amendment is consistent with the provisions and purposes
278 of sections 36a-435a to 36a-472a, inclusive. The Commissioner of
279 Banking, upon determining that such proposed amendment satisfies

280 the requirements of said sections 36a-435a to 36a-472a, inclusive, shall
281 endorse the Commissioner of Banking's approval on such proposed
282 amendment, and return one copy thereof to the Connecticut credit
283 union.

284 (4) Any amendment to the bylaws of a Connecticut credit union
285 shall become effective when adopted except amendments requiring the
286 approval of the Commissioner of Banking which shall become effective
287 upon such approval.

288 Sec. 3. Subsection (a) of section 36a-438a of the general statutes is
289 repealed and the following is substituted in lieu thereof (*Effective*
290 *October 1, 2003*):

291 (a) (1) Except as provided in subdivision (2) of this subsection, the
292 field of membership of a Connecticut credit union is limited to (A) a
293 single common bond membership, (B) a multiple common bond
294 membership, or (C) persons within a well-defined community,
295 neighborhood or rural district.

296 (2) The field of membership of a Connecticut credit union may
297 include (A) members of the immediate family or household of all
298 persons included under subparagraphs (A), (B) and (C) of subdivision
299 (1) of this subsection, (B) organizers and employees of such credit
300 union, (C) [any advisory director of such credit union, (D)] the
301 surviving spouse of a deceased member of such credit union, and [(E)]
302 (D) notwithstanding any change in employment, occupation, residence
303 or other condition initially controlling the eligibility for membership in
304 any Connecticut credit union, any person properly admitted to
305 membership in a Connecticut credit union. Such person may continue
306 membership therein during such person's lifetime. The field of
307 membership of a Connecticut credit union under subparagraphs (A)
308 and (B) of subdivision (1) of this subsection may include associations
309 and organizations of individuals who are members of such credit
310 union, partnerships in which the majority of the partners are
311 individuals who are members of such credit union and, corporations in

312 which the majority of whose shareholders are individuals who are
313 members of such credit union.

314 Sec. 4. Subsection (k) of section 36a-448a of the general statutes is
315 repealed and the following is substituted in lieu thereof (*Effective*
316 *October 1, 2003*):

317 (k) (1) If the bylaws so provide, the governing board may appoint
318 advisory directors and directors emeritus to serve [at the pleasure of
319 such governing board to advise and consult with the board in carrying
320 out the board's duties and responsibilities] as appointed directors
321 without compensation. Appointed directors shall serve at the pleasure
322 of the governing board to advise and consult with the board in
323 carrying out the board's duties and responsibilities.

324 (2) An advisory director need not be eligible for membership in the
325 credit union, shall not be a member of the governing board, and shall
326 not be entitled to vote on any matter before the board. An advisory
327 director may participate in any governing board or committee
328 deliberation, but shall not make any motions.

329 [(2)] (3) [If the bylaws so provide, the governing board may appoint
330 directors emeritus to serve at the pleasure of the governing board to
331 advise and consult with the governing board in carrying out the
332 board's duties and responsibilities.] A director emeritus shall be a
333 member of the credit union and shall not be an officer of the credit
334 union, participate in any governing board or committee deliberations,
335 make motions or vote on any matter before the governing board.

336 [(3)] (4) The number of [advisory directors and directors emeritus]
337 appointed directors and their qualifications shall be specified for in the
338 bylaws.

339 Sec. 5. Section 36a-454a of the general statutes is repealed and the
340 following is substituted in lieu thereof (*Effective October 1, 2003*):

341 (a) In addition to compensating its employees, a Connecticut credit

union may, either independently or in conjunction with one or more other Connecticut credit unions, with the approval of the governing board, provide death benefits, disability benefits, accident benefits, hospital, medical, surgical and dental benefits, incentive savings benefits, severance benefits, retirement benefits and other employee benefits for its active and retired employees and their families. The provisions of this section shall be subject to the conditions and requirements imposed by the Employee Retirement Income Security Act of 1974, Public Law 93-406, as from time to time amended.

(b) A Connecticut credit union may, with the approval of a majority of the governing board, provide personal liability or indemnity insurance coverage for its directors, appointed directors, credit committee members and supervisory committee members. With the approval of the Commissioner of Banking, a Connecticut credit union may also provide reasonable health, accident and related types of personal insurance for its directors, [other than its emeritus directors and advisory directors,] which insurance shall not be considered compensation. A Connecticut credit union shall not provide such health, accident or related types of personal insurance for its appointed directors.

Sec. 6. Section 36a-454b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2003*):

(a) The governing board of a Connecticut credit union shall adopt a written conflict of interest policy that includes provisions addressing transactions with insiders and their immediate family members, as defined in section 36a-435b, and other persons having a common ownership, investment or other pecuniary interest in a business enterprise with such insiders and immediate family members of such persons. As used in this section, (1) "insider" means a director, appointed director, member of a board-appointed committee, member of senior management and loan officer of a Connecticut credit union, and (2) "immediate family member" has the same meaning as "immediate family member" as defined in section 36a-435b, as

375 amended by this act, provided the term also includes any person
376 related by blood, adoption or marriage to an appointed director.

377 (b) An extension of credit made by a Connecticut credit union to an
378 insider shall require the approval of the governing board if (1) such
379 insider is the debtor, guarantor, endorser or cosigner of the extension
380 of credit; and (2) the extension of credit by itself or when added to the
381 aggregate of all outstanding extensions of credit for which such insider
382 is the debtor, guarantor, endorser or cosigner exceeds twenty-five
383 thousand dollars plus pledged shares.

384 (c) No insider of a Connecticut credit union or professional retained
385 by a Connecticut credit union shall in any manner, directly or
386 indirectly, participate in any determination affecting such person's
387 pecuniary interest or the pecuniary interest of any immediate family
388 member of such person or any corporation, partnership or association,
389 other than the Connecticut credit union, in which such person is
390 directly or indirectly interested.

391 (d) An insider, immediate family member of such insider or other
392 person having a common ownership, investment or other pecuniary
393 interest in a business enterprise with an insider or immediate family
394 member of such insider shall not obtain an extension of credit from the
395 Connecticut credit union with preferential rates, terms or conditions,
396 or act as guarantor or endorser thereon, and shall not be involved in
397 the appraisal or valuation of assets which are to be used as collateral
398 for an extension of credit.

399 (e) An insider and the immediate family member of such insider
400 shall not receive, directly or indirectly, any commission, fee or other
401 compensation, except those of a nominal value, in connection with any
402 extension of credit by the Connecticut credit union, provided this
403 subsection shall not prohibit: (1) Payment by a Connecticut credit
404 union of: (A) Salaries to employees, (B) incentives or bonuses to
405 employees based on the Connecticut credit union's overall financial
406 performance, (C) incentives or bonuses to employees, other than a

407 member of senior management, in connection with an extension of
408 credit, provided the governing board establishes written policies and
409 internal controls in connection with such incentives or bonuses and
410 monitors compliance with such policies and controls at least annually,
411 (D) fees to an insider or immediate family member of such insider for
412 the performance of title searches, loan closings and collections,
413 provided the Connecticut credit union has complied with subsection
414 (k) of this section prior to engaging such insider or immediate family
415 member of such insider; and (2) receipt of compensation from a person
416 outside a Connecticut credit union by a director, appointed director,
417 member of a board-appointed committee or employee who is not a
418 member of senior management or an immediate family member of
419 such director, appointed director, committee member or employee, for
420 a service or activity performed by the director, appointed director,
421 committee member or employee outside the Connecticut credit union,
422 provided no referral has been made by the credit union or the director,
423 appointed director, committee member, employee or immediate family
424 member of such director, appointed director, committee member or
425 employee.

426 (f) An insider and the immediate family members of such insider or
427 an employee of a Connecticut credit union shall not receive anything
428 of value in connection with the making of an investment or deposit by
429 the Connecticut credit union of funds of the credit union, unless the
430 governing board determines that the involvement of the insider, the
431 immediate family member of such insider or the employee does not
432 present a conflict of interest, and includes such determination in its
433 minutes. The prohibition contained in this subsection shall not prohibit
434 the credit union from paying salaries, incentives and bonuses to
435 employees in connection with the making of such investments or
436 deposits. An insider shall conduct all transactions that are not
437 prohibited under this subsection at arm's length and in the best
438 interests of the Connecticut credit union.

439 (g) An insider and the immediate family members of such insider
440 shall not receive any direct or indirect compensation or benefit in

441 connection with the credit union's insurance or group purchasing
442 activities for members and employees. The prohibition contained in
443 this subsection shall also apply to any employee not otherwise covered
444 if the employee is directly involved in insurance or group purchasing
445 activities unless the governing board determines that the employee's
446 involvement does not present a conflict of interest and includes such
447 determinations in its minutes. An insider and the immediate family
448 member of such insider shall conduct all transactions that are not
449 prohibited under this subsection at arm's length and in the best
450 interests of the credit union.

451 (h) A Connecticut credit union shall not buy, lease or otherwise
452 acquire premises from any of the following without the prior approval
453 of the governing board, such approval to be included in the governing
454 board's minutes: (1) An insider or immediate family member of such
455 insider; (2) a corporation in which an insider or immediate family
456 member of such insider is an officer or director or has an ownership
457 interest of ten per cent or more; (3) a partnership in which any insider
458 or immediate family member of such insider is a general partner or a
459 limited partner with an interest of ten per cent or more. The
460 prohibition contained in this subsection shall also apply to any
461 employee not otherwise covered if the employee is directly involved in
462 investments in fixed assets unless the governing board determines that
463 the employee's involvement does not present a conflict of interest and
464 includes such determinations in its minutes.

465 (i) No insider or employee of a Connecticut credit union or the
466 immediate family member of any such person shall purchase, directly
467 or indirectly, any of the assets of the credit union for an amount less
468 than the current market value thereof, without the prior approval of
469 the governing board which approval shall include a determination that
470 the transaction is in the best interests of the credit union. Such
471 approval and determination shall be included in the governing board's
472 minutes.

473 (j) With the approval of the Commissioner of Banking, a

474 Connecticut credit union may have as an employee, [or] director or
475 appointed director a person who serves as an officer, employee, [or]
476 director or appointed director of any other financial institution.

477 (k) When a Connecticut credit union retains an insider or an
478 immediate family member of such insider to render services to the
479 credit union, the governing board shall document in its minutes that
480 such hiring was at arm's length and in the best interests of the credit
481 union and was in accordance with the competitive bidding and
482 appropriate due diligence process as provided in the credit union's
483 conflict of interest policy.

484 (l) The directors, appointed directors, members of board-appointed
485 committees, members of senior management and the immediate family
486 members of such persons that have outstanding loans or investments
487 in a credit union service organization shall not receive any salary,
488 commission, investment income or other income or compensation
489 from such credit union service organization, either directly or
490 indirectly, or from any person being served through the credit union
491 service organization. This provision shall not prohibit (1) such
492 Connecticut credit union insiders or the immediate family members of
493 such persons from assisting in the operation of such credit union
494 service organization, provided such persons are not compensated by
495 the credit union service organization, and (2) reimbursement to the
496 Connecticut credit union for the services provided by such directors,
497 appointed directors, committee members or senior management
498 members if the accounts receivable of the Connecticut credit union due
499 from the credit union service organization is paid in full at least
500 quarterly.

501 (m) A Connecticut credit union shall not grant a member business
502 loan if any additional income received by the credit union or senior
503 management of the credit union is tied to the profit or sale of the
504 business or commercial endeavor for which the loan is made.

This act shall take effect as follows:	
Section 1	<i>October 1, 2003</i>
Sec. 2	<i>October 1, 2003</i>
Sec. 3	<i>October 1, 2003</i>
Sec. 4	<i>October 1, 2003</i>
Sec. 5	<i>October 1, 2003</i>
Sec. 6	<i>October 1, 2003</i>

BA *Joint Favorable Subst.*